ANNUAL REPORT 1998-99

RIGA
SUGAR CO. LTD.

RIGA SUGAR COMPANY LIMITED
Annual Report : 1998-99

Board of Directors	:	Shri P. L. Dhanuka – Chairman Shri J. M. Tandon Shri L. P. Agarwalla Shri R. V. Tyagarajan Shri J. J. Bhagat Shri Vivek Saraogi Shri J. K. Acharya (IIBI Nominee) Shri Alok Agarwal (ICICI Nominee) Shri O. P. Dhanuka – Vice Chairman & Managing Director Shri B. P. Ray
Company Secretary	:	Shri Shailendra Prasad
Auditors	:	K. N. Gutgutia & Co. Chartered Accountants Calcutta
Bankers	:	Bank of India
Registered Office	:	14, Netaji Subhas Road Calcutta-700 001
Works	:	P. O. Riga Dist. Sitamarhi Bihar
Registrars	:	AMI Computers (India) Ltd. 60A & 60B, Chowringhee Road Calcutta-700 020
Shares Listed at	:	The Calcutta Stock Exchange Association Ltd. 7, Lyons Range, Calcutta-700 001 The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers Dalal Street Mumbai-400 001

Fifteen Years' Working Highlights

Sugar Season	Duration (Actual Number of crushing days)	Cane Crushed (Lakh Quintals)	Sugar Produced (Lakh Quintals)	Recovery (Percent)
1983-84	119	14.05	1.42	10.10
1984-85	69	7.50	0.75	10.05
1985-86	132	14.14	1.43	10.15
1986-87	164	19.19	1.84	9.58
1987-88	150	19.06	1.83	9.60
1988-89	144	19.54	1.90	9.74
1989-90	125	21.81	2.05	9.40
1990-91	198	34.68	3.24	9.33
1991-92	232	42.25	3.73	8.83
1992-93	133	25.29	2.44	9.65
1993-94	91	17.18	1.62	9.46
1994-95	176	32.94	3.01	9.12
1995-96	169	35.85	3.34	8.68
1996-97	134	28.07	2.60	9.25
1997-98	110	21.96	2.09	9.51
1998-99	114	24.01	2.16	9.00

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of RIGA SUGAR COMPANY LIMITED will be held on Thursday, the 30th September, 1999 at 2.30 P.M. at SITARAM SEKSERIA SABHAGAR (Auditorium), Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, Calcutta-700 017 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March, 1999 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri J. M. Tandon, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri B. P. Ray, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an ORDINARY RESOLUTION :

   "RESOLVED that Shri J. J. Bhagat, who was appointed by the Board of Directors as Additional Director of the Company and who holds office upto the date of the Nineteenth Annual General Meeting, being eligible for appointment and in respect of whom notice in writing under Section 257 of the Companies Act, 1956 has been received by the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

Registered Office :
14, Netaji Subhas Road,
Calcutta-700 001
Dated : August 23, 1999

By Order of the Board

SHAILENDRA PRASAD
Company Secretary

NOTES :

1. A Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote on poll instead of himself and the Proxy need not be a member of the Company. Proxy Form, if intended to be used, should reach the Registered Office of the Company, duly completed, not less than fortyeight hours before the scheduled time of the Meeting.
2. Members and Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed for attending the Meeting.
3. The Register of Members and the Register of Transfer will remain closed from 28th September to 30th September, 1999 (both days inclusive).
4. Members intending to require information about accounts to be explained at the meeting are requested to write to the Company at least ten days advance of the Annual General Meeting.
5. Please bring your copy of the Annual Report to the Meeting.
6. Members are requested to notify any change in the their address to the Company's Registrars and Share Transfer Agents at the Following address :

AMI Computers (India) Ltd.
60A & 60B, Chowringhee Road
Calcutta-700 020

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 :

ITEM NO. 5 :

Shri J. J. Bhagat was appointed as Additional Director of the Company on 27th July, 1999. Accordingly Shri J. J. Bhagat is liable to retire at the ensuing Annual General Meeting. The Company has received a Notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing the appointment of Shri J. J. Bhagat as a Director liable to retire by rotation.

Considering his long, varied and valuable experience in Sugar Technology, the Board recommends his appointment as a Director.

None of the Directors except Shri J. J. Bhagat is interested or concerned in the above Resolution.

Registered Office :
14, Netaji Subhas Road,
Calcutta-700 001

Dated : August 23, 1999

By Order of the Board

SHAILENDRA PRASAD
Company Secretary

DIRECTORS' REPORT

To

The Shareholders,

The Directors have pleasure in presenting their Report and Audited Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS :

		Rs. in Lacs
(a)	Operating Profit Before Interest and Depreciation	493.96
(b)	Interest	296.33
(c)	Profit Before Depreciation	197.63
(d)	Depreciation	156.51
(e)	Profit after Depreciation	41.12
(f)	Provision for Taxation	NIL
(g)	Net Profit after Taxation for the year	41.12
(h)	Credit Balance of Profit & Loss Account brought forward from last year	2.26
(i)	Credit Balance of Profit & Loss Account carried to Balance Sheet	43.38

DIVIDEND :

In view of the inadequate profit and ongoing Technological Upgradation and Capacity Optimisation Scheme of the Sugar Unit of the Company, your Directors do not recommend payment of Dividend.

OPERATIONAL RESULTS :

SUGAR DIVISION :

The crushing operations for the season 1998-99 commenced on 5th December, 1998 and concluded on 2nd April, 1999. The gross duration of the crushing operations during the season was 119 days (previous year 118 days) and the total cane crush was 24.01 Lac Qtls. with recovery of 9.00% (previous year's cane crush was 21.96 Lac Qtls. with recovery of 9.51%). The lower availability of Sugar Cane and fall in recovery occured due to unprecedented floods in the northern part of the Country because of excessive rail-fall and adverse agro-climatic conditions which resulted in the decline of recovery by 0.5% to 1% of almost all Sugar Factories of Bihar. However, against all odds, the Sugar Factory of your Company could achieve the highest recovery amongst the Sugar Factories in Bihar. Due to fall in recovery by about 0.5% in comparison to the previous year, your Company suffered a loss of about Rs. 150 Lacs on account of lower production. The unremunerative sugar prices, mainly due to cheap/subsidised imports was the other factor which caused lower profit.

Sugar, one of the foremost agro-based Industry of the country located primarily in remote villages, provides employment/livelihood directly and indirectly to millions of rural population but the same Industry has been neglected by the Central as well as the State Governments, more so in the recent past. Nowhere in the world, except in India, Sugarcane and the Sugar Factories are taxed. The Sugar Factories have to shoulder the burden of a number of Taxes like Cane Cess, Purchase Tax, Market Committee Fee, Zonal Development Committee Fee etc., imposed by the State Government in addition to the Excise Duty on sale of Sugar being charged by the Central Government. Even after imposing such heavy taxes and levies on this agro-based and rurally located Industry, no facilities are provided for basic infrastructural development around the Sugar Mills such as Road, Drainage, Irrigation, Railway line, Electricity, Telecommunication, etc. In Bihar, due to multiple taxes, duties and the non-caring attitude of the State Government in respect of infrastructural development, 19 out of 29 Sugar Factories have reported 'sick' *in course of past 10 years, thereby depriving thousands of workers and lacs of farmers from their* livelihood. Domestic Sugar Mills also suffer because of the earmarked 40% of sugar production towards Levy Quota by the Central Government at a price which is much below the cost of production.

India is having surplus sugar since last several years and is having one of the cheapest sugar price in the world and hence it has got immense potential for export of Sugar if the Government adopts a 'pro-Sugar Industrial Policy', but because of non-supportive policies of the Union Government, the Industry is unable to export. For instance, instead of giving motivation and incentives to the domestic Sugar Industry for export of surplus production, imports in large quantity at low Customs Duty have been permitted by the Government.

SUGAR & CANE POLICY :

* Continuation of Levy-Free Sale Ratio of 40 : 60.
* The Statutory Minimum Cane Price (SMP) for the season 1998-99 was fixed by the Central Government at Rs. 52.70 per Qtl. linked with a basic recovery of 8.5% against Rs. 48.45 per Qtl. for the previous season i.e. 1997-98. The SMP in case of the Sugar Factory of your Company was Rs. 59.52 per Qtl. against Rs. 53.25 per Qtl. in the previous season, but your Factory had to pay a higher amount of Rs. 77.50 per Qtl. during the season 1998-99 (against previous season's Rs. 73.50 per Qtl.), consisting of SMP and advance against 'Bhargav Formula'.
* The Government have delicenced the Sugar Industry, which has not helped since it is already suffering due to over capacity. However, the Government is yet to take any decision on the recommendations of the 'Mahajan Committee'.
* The Government has removed the restriction on selling of monthly quota of sugar in two fortnightly instalment of at least 47.5% of the total release.
* The Government is yet to announce the increase in Levy Sugar price consequent to increase in the SMP applicable to the sugar season 1998-99 and the same has not been reflected in current year's account..
* The Government has empowered itself to regulate the release of imported sugar in line with the indigenous sugar apart from bringing the imported sugar under the ambit of the regulations in regard to stock holding applicable to domestic sugar, but notification in this regard is still awaited.

SUGAR SCENARIO :

The Sugar year 1998-99 opened with a stock of 54 Lac Tonnes against 65 Lac Tonnes in previous year. The current year's production is estimated at 155 Lac Tonnes against 129 Tonnes in the previous year. Imports during the season are estimated to be 10 Lac Tonnes as against 9.35 Lac Tonnes in previous year. The indigenous consumption of Sugar is expected to be around 150 Lac Tonnes with negligible export, leaving a huge surplus stock of 69 Lac Tonnes, which is estimated to be equivalent to about 5.5 months consumption.

The Indian Sugar prices continue to reel under sluggish conditions and the prevailing ruling sugar prices are one of the lowest in the world. For instance, in India the present average price of retail (Levy-free) Sugar is about Rs. 13.00 per Kg., whereas it is as high as about Rs. 65/- per Kg. in Japan, Rs. 60/- per Kg. European Union, Rs. 20.00 in Mexico and Pakistan, Rs. 19/- in Brazil and Rs. 18/- per Kg. in Thailand. Moreover, there is no Excise Duty incidence on Sugar in the above countries, whereas in India, Excise Duty @ Rs. 0.72 per Kg. is imposed. Statistics reveal that when there was an annual increase of about 12.7% in the prices of almost all essential commodities since 1988-89, the increase in respect of Sugar prices was only 6.6%, whereas the Sugar Cane prices have gone up by 16.7%.

SUGAR IMPORTS :

Despite having sufficient stock to cater to the domestic requirements and even surplus for export, huge quantities of cheaper (subsidised) Sugar had been imported to the country, which had its adverse impact on the Domestic Sugar Industry. About 7 Lac Tonnes of Imported Sugar has already arrived which is expected to touch 10 Lac Tonnes if the present policy of the Government continues. Inspite of increasing the Customs Duty to 27.5%, the traders continue to import as they do not have any levy sugar commitment and stock holding limit on such imports.

Globally, there remains a surplus in production of Sugar and steep decline in the International Price to a 12 years low, as a result of which, the major sugar producing countries are giving export boost to their domestic units by way of heavy subsidies in Duties and Taxes with a view to earn valuable Foreign Exchange. The record production in Brazil coupled with sharp devaluation in their currency and unattractive alcohol incentive have made them profitable to export sugar even at lower prices. Pakistan is giving heavy subsidy for export of sugar to India, thereby neutralising the effect of Customs Duty incidence on Imported Sugar. These all have led to the dumping in the Indian market, resulting in consistent fall in sugar prices and outflow of country's valuable Foreign Exchange. The total sugar imports in the country since August, 1997 involved outflow of Foreign Exchange to the extent of about Rs. 2000 Crore, out of which Pakistan alone accounted for about Rs. 750 Crore.

The Industry has been consistently demanding imposition of Level Playing Rate of Customs Duty on Imported Sugar. The other Sugar manufacturing countries have been protecting their Sugar Industry by imposition of higher Customs Duty viz, European Union 300%, USA 130%, Thailand 104%, Brazil 55% and Mexico 173%. Even our neighbouring countries, Bangladesh charges 200%, Srilanka 66% and Pakistan charge 36% Customs Duty on import of Sugar. The maximum permissible Import Duty on Sugar under WTO agreement has been fixed for India at 150%. However it is merely a matter of satisfaction that recently the Government has taken certain corrective measures to empower itself for putting similar restriction of Levy Commitment and Stock-holding on Imported Sugar as applicable to the Indigenous producer. This, if implemented in letter and spirit, will give little reprive to the Indian Sugar Industry.

TECHNOLOGY UPGRADATION-CUM-CAPACITY OPTIMISATION SCHEME OF THE SUGAR UNIT :

As informed to you in our previous Report, on the basis of the Report of the Sugar Technology Mission after a detailed study undertaken by them, the Sugar Unit of your Company has been recommended for undertaking a Technological Upgradation and Capacity Optimisation Scheme. The Scheme will result in saving in Steam and Power consumption, improvement in recovery and sugar quality with consequential increase in crushing rate. The said Scheme costing Rs. 2675 Lacs has been appraised and financed by the Financial Institutions and Sugar Development Fund. The implementation of the Scheme is in progress and it is expected to be completed by October/November, 1999. It is hoped that the Sugar Unit will be able to commence its crushing operations with the newly installed equipments/machinery in the ensuing season i.e. 1999-2000, one year ahead of schedule.

EXPANSION OF CAPACITY :

Your Company had obtained letter of intent in September, 1996 for expantion of Sugar Mill capacity from 2500 TCD to 3500 TCD and investment has been made since then toward achiving the expanded capacity by addition of Balancing Equipments and it is expected to complete the same by September, 1999 and achieve the 3500 TCD capacity in the ensuing season 1999-2000.